

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

**FINANCIAL STATEMENTS**  
**FOR THE QUARTER ENDED MARCH 31, 2004**

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**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

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**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**

**BALANCE SHEETS**  
March 31, 2004 and 2003

		Exhibit A
<b>Assets</b>	<b>3/31/2004</b>	<b>3/31/2003</b>
Cash and cash equivalents	\$ 15,192,653	\$ 12,044,773
Accrued interest		
Investments	1,371,109	833,388
Treasurer	49,687	66,869
Total accrued interest	1,420,796	900,257
Receivables		
Fines and penalties	407,739	352,844
Purchased Interest	31,677	32,354
Total receivables	439,416	385,198
Investments		
U.S. Government securities	124,184,238	93,959,433
<b>Total Assets</b>	<b>\$ 141,237,103</b>	<b>\$ 107,289,661</b>
 <b>Liabilities</b>		
Due the Distributive School Account	\$ 5,764,576	\$ 6,390,056
Due to heirs	931,343	701,166
Total liabilities	6,695,919	7,091,222
 <b>Fund balances</b>		
Reserved: Permanent Fund Principal	134,541,184	100,198,439
<b>Total Liabilities and Fund Balances</b>	<b>\$ 141,237,103</b>	<b>\$ 107,289,661</b>

The notes to the financial statements and schedules are an integral part of this statement.

# STATE OF NEVADA

## PERMANENT SCHOOL FUND

### STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Quarter and Nine Months Ended March 31, 2004

	<u>Quarter Ended 3/31/2004</u>	<u>Exhibit B Nine Months Ended 3/31/2004</u>
<b>Revenues</b>		
Fines - State Penal Laws		
Justice Courts	\$ 888,387	\$ 2,562,308
District Courts	186,256	488,285
Other Fines and Penalties	<u>10,500</u>	<u>17,500</u>
Total fines	1,085,143	3,068,093
Investment income	2,151,391	2,443,201
Land sales	2,392,688	15,444,988
Escheated estates	12,346	55,383
Miscellaneous	<u>1,429</u>	<u>3,966</u>
Total revenues	<u>5,642,997</u>	<u>21,015,631</u>
 <b>Other Financing Sources (Uses)</b>		
Transfer to Distributive School Account	<u>(2,151,391)</u>	<u>(2,443,201)</u>
Net change in fund balances	3,491,606	18,572,430
Fund balances, beginning of period	<u>131,049,578</u>	<u>115,968,754</u>
Fund balances, March 31	<u><u>\$ 134,541,184</u></u>	<u><u>\$ 134,541,184</u></u>

The notes to the financial statements and schedules are an integral part of this statement.

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**GENERAL**

Article 11, Section 3 of the Constitution of the State of Nevada provides that all estates that escheat to the state; proceeds from the sale of lands given or bequeathed under this section; and fines collected under the penal laws of the state shall be pledged for educational purposes only, and shall not be transferred to any other funds for other uses. The 1956 special session of the Legislature enacted Chapter 32, which provided for the creation of the State Permanent School Fund to account for the money accruing to the State of Nevada under Article 11, Section 3 of the State Constitution.

The Permanent School Fund is classified as a permanent trust fund in accordance with Governmental Accounting Standards Board Statement No. 34. This designation ensures that the corpus of the Fund will be preserved. All earnings on the Fund's assets are transferred to the Distributive School Account of the General Fund that apportions it among the several school districts of the state, in accordance with State Statutes.

The 1997 legislature added Nevada Revised Statutes 387.513 through 387.528. These statutes allow school districts to enter into guarantee agreements with the State Treasurer whereby the money in the Permanent School Fund is used to guarantee the debt service payments on certain bonds issued by the school districts. The amount of the guarantee for bonds of each school district outstanding, at any one time, must not exceed \$25 million. Bond guarantees at March 31, 2004 were:

School District	Issue Date	Original Amount	Balance
White Pine	March 1, 1998	7,510,000	7,345,000
Douglas	April 1, 1998	8,710,000	8,335,000
Nye	April 1, 1999	17,545,000	13,855,000
Churchill	August 1, 2000	3,655,000	3,655,000
Carson City	February 1, 2001	9,000,000	8,900,000
Lyon	February 1, 2001	12,000,000	11,900,000
Mineral	June 1, 2001	4,425,000	4,320,000
Churchill	December 1, 2001	4,565,000	4,065,000
Carson City	February 1, 2002	9,000,000	9,000,000
Nye	February 1, 2002	2,950,000	2,950,000
Lyon	May 1, 2002	13,000,000	13,000,000
Nye	September 1, 2002	2,325,000	2,325,000
Lincoln	December 15, 2002	2,925,000	2,880,000
Carson City	February 1, 2003	3,750,000	3,750,000
Churchill	February 1, 2003	6,405,000	6,405,000
Douglas	February 1, 2003	5,750,000	5,750,000
Humboldt	February 1, 2003	5,075,000	5,075,000
Pershing	February 1, 2003	5,135,000	5,135,000
Washoe	January 1, 2004	11,820,000	11,820,000

## REVENUE SOURCES

The following schedule illustrates some of the potential revenue sources of the Permanent School Fund:

- Surplus on sale of unclaimed freight after charges of common carriers and warehousemen (NRS 108.430)
- Surplus on sale of property after charges of bailees for hire (NRS 108.460)
- Escheated estates (NRS 154.115)
- Fees of the State Land Registrar (NRS 321.065)
- All moneys accruing to the State of Nevada from sale of lands heretofore given or bequeathed, or that may hereafter be given or bequeathed, for public school purposes (Art. 11, Sec. 3)
- All fines collected under the penal laws of the state (Art. 11, Sec. 3)
- Fines imposed by courts-martial (NRS 412.086)
- Fines resulting from suits on excavations (NRS 455.050)
- All fines and penalties for violations of the criminal provisions of the Unemployment Compensation Act (NRS 612.585)
- Penalties imposed on banks for failure to make certain reports (NRS 665.115)

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO FINANCIAL STATEMENTS

### Basis of Accounting:

Transactions are recorded on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

### Treasurer's Interest Accrual:

For the quarter ended March 31, 2004, the Permanent School Fund's average balance in the State Treasurer's investment pool was \$11,351,595. Accrued earnings from the investment pool are transferred quarterly to the Permanent School Fund based on its proratable share of average weekly cash balances.

For the quarter ended March 31, 2004, funds held by the State Treasurer earned interest at an effective rate of 1.75 percent.

### Investments:

Investments are stated at fair value, which approximates market value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF INVESTMENTS**  
March 31, 2004

Schedule 1

<b>Fixed Income Securities</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Face Amount</b>	<b>Cost</b>	<b>Fair Value</b>
Fed. Farm Credit Bank	6.000	6/11/08	\$ 10,000,000	\$ 10,042,460	\$ 11,265,600
Fed. Farm Credit Bank	2.700	11/24/06	10,000,000	10,000,000	10,081,300
Fed. Farm Credit Bank	3.375	6/12/08	10,000,000	10,000,000	10,218,800
Fed. Home Loan Bank Note	5.125	3/6/06	9,000,000	8,839,080	9,582,210
Fed. Home Loan Bank Note	3.375	11/15/04	7,000,000	7,002,030	7,096,250
Fed. Home Loan Bank Note	4.875	8/15/05	5,600,000	5,970,216	5,864,264
Fed. Home Loan Bank Note	3.880	11/29/05	4,000,000	4,170,200	4,147,520
Fed. Home Loan Bank Note	1.125	5/13/04	4,660,000	4,656,039	4,660,000
Fed. Home Loan Bank Note	2.050	6/22/06	6,500,000	6,401,590	6,512,220
Fed. Home Loan Bank Note	3.875	6/22/08	6,500,000	6,491,420	6,658,470
Fed. Home Loan Bank Note	4.000	7/23/10	13,000,000	12,864,922	13,016,250
Fed. Home Loan Bank Note	2.625	2/17/07	6,100,000	6,117,690	6,147,641
Fed National Mortgage Assoc.	5.750	2/15/08	10,675,000	9,760,953	11,865,903
Fed National Mortgage Assoc.	3.250	5/14/08	5,000,000	4,999,219	5,014,050
US Treasury Notes	1.125	6/30/05	4,000,000	3,981,250	3,996,240
US Treasury Notes	2.000	5/15/06	4,000,000	4,038,750	4,032,520
US Treasury Notes	2.625	5/15/08	4,000,000	4,035,625	4,025,000
Total Investments			<u>\$ 120,035,000</u>	<u>\$ 119,371,444</u>	<u>\$ 124,184,238</u>

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF JUSTICE COURT FINES BY COUNTY**  
For the Quarter and Nine Months Ended March 31, 2004

<b>County</b>	<u>Schedule 2</u>	
	<b>Quarter Ended 3/31/2004</b>	<b>Nine Months Ended 3/31/2004</b>
Carson City	\$ 6,932	\$ 28,091
Churchill	18,355	44,863
Clark	336,957	936,373
Douglas	12,828	28,014
Elko	37,288	121,582
Esmeralda	4,523	11,090
Eureka	3,776	11,891
Humboldt	-	155
Lander	1,673	4,813
Lincoln	2,352	5,792
Lyon	17,538	51,375
Mineral	110	110
Nye	63,016	163,335
Pershing	1,753	7,152
Storey	-	-
Washoe	380,443	1,143,235
White Pine	843	4,437
<b>Total</b>	<b>\$ 888,387</b>	<b>\$ 2,562,308</b>

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF DISTRICT COURT FINES BY COUNTY**  
For the Quarter and Nine Months Ended March 31, 2004

<b>County</b>	<b>Quarter Ended 3/31/2004</b>	<u>Schedule 3</u> <b>Nine Months Ended 3/31/2004</b>
Carson City	\$ 6,730	\$ 14,632
Churchill	7,163	14,883
Clark	114,959	272,668
Douglas	7,034	34,172
Elko	7,340	26,964
Esmeralda	440	515
Eureka	10	50
Humboldt	5,870	7,562
Lander	420	1,874
Lincoln	50	1,435
Lyon	1,138	9,362
Mineral	306	486
Nye	476	4,466
Pershing	45	135
Storey	-	-
Washoe	33,475	95,285
White Pine	800	3,796
Total	\$ 186,256	\$ 488,285

**STATE OF NEVADA**  
**PERMANENT SCHOOL FUND**  
**SCHEDULE OF INVESTMENT INCOME EARNED**  
For the Quarter Ended March 31, 2004

Schedule 4

**Interest:**

<u>Investments:</u>	<u>Rate of Interest</u>	<u>Face Amount</u>	<u>Investment Income</u>
Fed Farm Credit Bank	6.000	10,000,000	150,000
Fed Farm Credit Bank	5.150	6,000,000	64,375
Fed Farm Credit Bank	2.700	10,000,000	67,500
Fed Farm Credit Bank	3.375	10,000,000	84,375
Fed. Home Loan Bank Note	5.850	12,500,000	91,406
Fed. Home Loan Bank Note	5.125	9,000,000	115,312
Fed. Home Loan Bank Note	3.375	7,000,000	59,063
Fed. Home Loan Bank Note	4.875	5,600,000	68,250
Fed. Home Loan Bank Note	3.880	4,000,000	38,800
Fed. Home Loan Bank Note	1.125	4,660,000	13,106
Fed. Home Loan Bank Note	2.050	6,500,000	33,313
Fed. Home Loan Bank Note	3.875	6,500,000	16,792
Fed. Home Loan Bank Note	4.000	13,000,000	65,000
Fed. Home Loan Bank Note	2.625	6,100,000	13,344
Fed Home Loan Mgt. Corp.	7.375	10,675,000	153,453
Fed. Nat'l. Mortgage Assoc.	3.250	5,000,000	40,625
US Treasury Notes	1.125	4,000,000	11,250
US Treasury Notes	2.000	4,000,000	20,000
US Treasury Notes	2.625	4,000,000	26,250
Total interest on investments			1,132,214
Third quarter Treasurer's distribution			49,687
Total interest			1,181,901
<b>Change in fair value of investments:</b>			
Third quarter change in fair value of investments			969,490
Total investment income earned for the quarter ended March 31, 2004			\$ 2,151,391